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MOTIVATIONS OF SOVIET ECONOMIC POLICY TOWARD THE
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While Soviet policymakers have been alert to exploit the political opportunities presented by their foreign trade programs, they have shied away from using economic measures for political purposes when the costs have been too high. As the Soviet economy continues to grow, the USSR will become capable of and probably more disposed toward indulging in this luxury.

ROLE OF COMMUNIST IDEOLOGY IN SOVIET POLICY MAKING . Page 17

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THE SOVIET WORLD

Moscow has apparently come to the aid of two of its Satellites which have been plagued with increasingly serious economic difficulties. East Germany and Hungary are reported to have been granted special assistance by the USSR in the form of loans of approximately \$161,000,000 and \$27,000,000 respectively.

The East German credit may be drawn on in any desired currency and will probably be used for the purchase of industrial goods, machinery and--of particular importance--consumers' goods. The loan appears to be unusually large, in view of a 1953 Soviet loan to East Germany of \$121,250,000, including \$34,750,000 in free currency. The unique "show-window" position of East Germany vis-a-vis West Germany may have caused the Soviet Union to give it special consideration. Hungary's credit is reported to be in the form of vanadium, chrome, cobalt, and consumers' goods.

Persons apparently implicated in Satellite purges of several years ago continue to be released from prison as part of the campaign to build up confidence in and support for new course policies in the Orbit. The Czechoslovak regime has released three minor figures involved in the Slansky trial, including Vilem Novy, the former editor of the Communist Party daily Rude Pravo. Novy was expelled from the party in 1950 and, although not publicly tried, was named as an accomplice during the Slansky trial. The Poles are reported to have released General Waclaw Komar, former quartermaster general of the armed forces. At the time of his arrest he was charged with maintaining foreign espionage contacts and contacts with national deviationists including General Spychalski, former minister of reconstruction. Spychalski, named with Gomulka as a national deviationist, is reported due to be released soon.

the Polish government is considering amelioration of the conditions of confinement of Cardinal Wyszynski, primate of Poland, who was arrested over a year ago.

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Agreements for scientific and technical co-operation are currently in force between virtually all the European Satellites on the one hand and China and North Korea on the other. Such co-operation programs are executed under the

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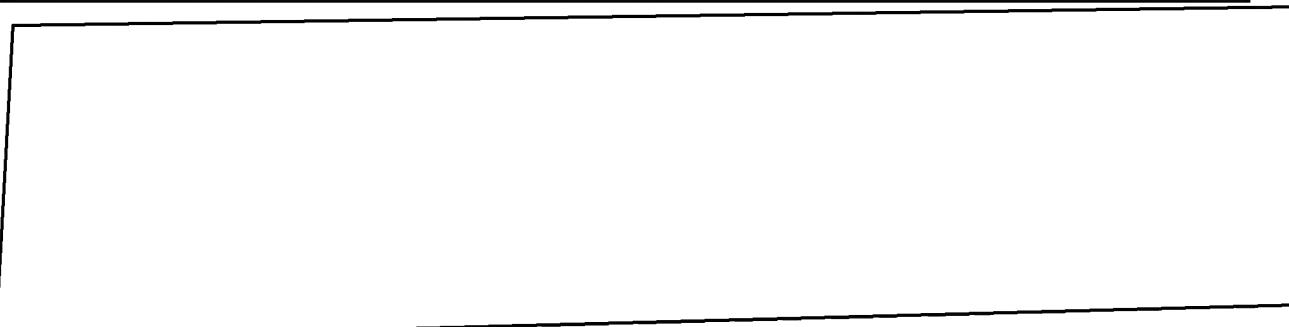
general supervision of the Orbit's Council of Mutual Economic Assistance, with which China and North Korea have close connections. It is not clear whether these countries are full members of the council, as the USSR and European Satellites are, although they are undoubtedly represented at meetings.

There have been several indications recently that the Orbit plans a gradual and extensive expansion of its activities in Southeast Asia. Economic assistance and trade are expected to play the principal parts in this program, but propaganda apparently is receiving additional emphasis also. The Soviet embassy in Rangoon is said to be planning to intensify its propaganda efforts in Burma through large-scale daily distribution of current Soviet and world news to the local press. The plan envisages a news service of sufficient scope to compete with the American and British information services. The Soviet embassy has recently stepped up the distribution of low-priced books and pamphlets in Burmese, and has established distributing agencies in ten widely separated Burmese urban centers.

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THE RATIFICATION DIFFICULTIES OF THE SAAR AGREEMENT

Fundamental French-German differences on the Saar, deliberately glossed over in the text of the agreement reached in Paris on 23 October, are now coming to the surface as press and parliamentary discussions force clarification of ambiguous terms. As a result, the two governments have already been obliged to take more extreme positions than either had originally intended. Both premiers seem confident, however, that the realization in France and Germany of the consequences of rejecting the Paris accords "package" will carry the Saar agreement through.

French opinion initially saw the Saar settlement as a diplomatic victory which made the rest of the Paris accords--i.e., German rearmament--more palatable. In late November, however, a Gaullist spokesman surprisingly reversed this argument. While he contended that the Saar settlement had many serious defects, including the lack of international guarantees, he nevertheless recommended acceptance in order not to jeopardize the Paris accords as a whole.

The two premiers agreed in October that they might have to interpret the Saar text in different ways to their respective parliaments, but that each would try to avoid harming the other's case. Adenauer met such strong opposition from some of his minor coalition partners, however, that he postponed the Bundestag debate on the Paris accords from November to mid-December and attached to the text of the Saar agreement a preamble emphasizing that the settlement would be provisional pending conclusion of a peace treaty and that the Saar would remain legally German.

The French government felt it necessary to protest publicly against this statement and to redraft its own "brief" covering the Saar text in a more "polemical" vein. Meanwhile, the assembly's Foreign Affairs Committee successfully demanded postponement of assembly debate on the Paris accords from 14 to 20 December, largely because of the government's delay in submitting the texts, particularly that on the Saar.

Despite initial success of negotiations on implementation of the agreement in which the French made important secret procedural concessions to help Adenauer, the German negotiator now reports a definite stiffening of the French attitude, and both sides are backing away from further negotiations.

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The German preamble would assure easy passage of the Saar agreement in the Bundestag, and Adenauer could probably secure approval of the text even without the preamble, though with a considerably smaller majority. The French may ease Adenauer's position somewhat if they refrain from demanding Anglo-American guarantees of the settlement. At present the French doubt they could obtain guarantees that Britain and the United States would support the settlement at any German peace treaty talks. Indeed, according to a Foreign Ministry spokesman, the French may even decide not to ask the Germans to join in requesting the Anglo-American guarantees of the settlement for the period prior to peace talks, as provided in the agreement. General de Gaulle's suggestion in his speech of 4 December that Anglo-Saxon guarantees have little value could be of assistance on this point.

German concern over the French difficulties is also evident in Bonn's suggestion that the United States and Britain try to moderate the opposition of French groups still angry at Mendes-France because of his handling of EDC. Mendes-France may use one of several parliamentary devices to emphasize that France is bound only by the basic text on the Saar and not by the unacceptable German preamble. He assured Ambassador Dillon on 2 December, however, that despite these difficulties he still expects slightly more than an absolute majority vote for all the Paris accords including the Saar agreement.

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NORTH KOREA CONDUCTING INTENSIVE NEW UNIFICATION CAMPAIGN

The North Korean regime has waged an intensive propaganda drive since late October for new negotiations aimed at bringing about Korea's unification. Pyongyang apparently hopes to convince the world that it sincerely desires unification, to establish a new basis for subverting the Seoul government, and to blunt American efforts at achieving a South Korean-Japanese rapprochement.

Foreign Minister Nam Il touched off the current drive in his report on 28 October to the Supreme People's Assembly on the Geneva conference. He called for meetings between North and South Korean assemblymen and civic officials, suggested immediate cultural and economic exchanges, demanded the withdrawal of the remaining American troops in the south, and urged early establishment of diplomatic relations between Pyongyang and Seoul. He also enlarged on previous tentative offers to trade North Korean industrial products for South Korean agricultural produce.

The assembly adopted Nam's proposals and called on the south to participate in a joint conference on unification at Pyongyang or Seoul "during 1955." It suggested that a preliminary meeting to initiate economic exchanges be held at Panmunjom or Kaesong next February and that "political parties, social organizations and patriotic personalities in all walks of life" be guaranteed freedom of activity throughout Korea.

The North Korean Home Ministry on 17 November guaranteed safe conduct to any South Koreans who might travel north to establish economic and cultural exchanges. Subsequently Pyongyang asked the Military Armistice Commission to permit persons under the military control of both the Communist and UN Commands to cross the demilitarized zone for "nonmilitary purposes" and invited Seoul officials to a conference on 17 December to discuss the exchange of mail and the reopening of other communications.

Pyongyang's substantive proposals on unification, calling for a joint commission representing the North and South Korean legislatures to arrange elections for an all-Korean assembly, differ little from those made prior to the hostilities in 1950 and from those rejected by the UN at Geneva. This is the first occasion, however, that the time and place for a meeting have been spelled out. Pyongyang apparently envisages a conference

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like that at Pyongyang in 1948--which attracted some prominent South Korean leaders--with discussions on economic and cultural interchanges leading to broader meetings.

Pyongyang's campaign, timed to follow up the October Sino-Soviet declaration on Korea, was apparently designed primarily to convince the neutralist nations at the UN General Assembly that the Communists are taking concrete steps to achieve unification. Although Soviet delegate Malik was less explicit than Nam, merely calling on the "interested states" to convene a Korean conference "at an early date," he in effect seconded Pyongyang's appeal by saying that the UN should not "stand in the way" if a peaceful settlement could be reached by direct north-south talks.

The inauguration of Pyongyang's campaign at the height of American-South Korean differences over aid programs suggests North Korea is hoping that continued tensions between Washington and Seoul will drive the latter into eventual economic accords with the north. The campaign also may be designed to support Seoul's current opposition to American attempts to build up Japan as a complementary economic area to South Korea. By offering favorable trade terms, North Korea may be seeking to appear a better trading partner than Japan. Actually North Korea would be unable to deliver most of the commodities it so extravagantly offers in its propaganda.

Pyongyang's proposal to the Military Armistice Commission is an attempt to pervert that organization, a strictly military body, into a commission empowered to deal with political matters not properly within its competence. The plea for freedom of political activity reflects Pyongyang's desire to gain legal status for its agents to rebuild the remnant Labor (Communist) Party in the south as a step toward subverting the Rhee government after failing to do so by clandestine means.

While President Rhee has rejected all past overtures from North Korea, he has frequently threatened in talks with American officials to negotiate with the Communists, arguing that unification under Communism would be preferable to Korea's indefinite division. Since he is now convinced that Washington is wedded to coexistence and unwilling to resume the war, he may come to believe that some gains can be made by responding to Pyongyang's appeals for joint negotiations.

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THE CHINESE COMMUNIST PROGRAM IN TIBET

Chinese Communist control of Tibet has been assured by a combination of military, political, and economic pressures which have been brought to bear on the Tibetan people and government. Peiping's economic development of Tibet will consolidate Chinese control and increase Tibet's importance as a factor in Peiping's relations with India and the small Himalayan border states (see map p. 13).

"Liberation" Agreement

Chinese control of Tibet was formally established in May 1951 with the signing of an agreement proclaiming the "peaceful liberation" of the country. The agreement was the result of a complex campaign of threats, cajolery and deceit that followed the defeat of the main Tibetan military force at Changtu (Chamdo) in Sikang Province in October 1950.

Terms of the agreement provided that the Tibetan people would have the right to exercise regional autonomy under the "leadership" of the Chinese Communist government; Peiping would have exclusive control of Tibet's external affairs; political and religious institutions would not be altered; and Tibetan troops would be integrated into the Chinese Communist army. In addition, China undertook to develop education in accordance with local conditions in Tibet and to raise the living standard by developing the economy.

Techniques of Control

The agreement further provided that Tibet was to be governed by a military and administrative committee with Chinese and Tibetan members, but this measure has never been put into effect. The traditional Tibetan civil administration, which has not been materially altered in form, remains the nominal government of Tibet. Tibet is controlled, however, by a military occupation staff with the aid of the Tibet Work Committee, an agency of the Chinese Communist Party closely associated with the military.

Various methods are used to assure Tibetan compliance with Chinese Communist desires. The operations of the Tibetan government at Lhasa are supervised by a representative of Peiping who also controls Tibet's external affairs. Local Tibetan officials work under the watchful eyes of

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Chinese Communist military commanders in their districts. In addition, some minor changes have been made in the Tibetan administration to bring about greater centralization and control by Lhasa.

Communist propaganda is attempting to make Chinese control palatable to the people of Tibet and to weaken their traditional loyalties to the monks and nobility. To carry their propaganda to the people, the Chinese have established newspapers and formed Tibetan counterparts of China's "people's organizations" for youth, women and other specialized groups. Schools have been set up in Tibet and considerable numbers of young Tibetans have been sent to Peiping and elsewhere in China to study.

Mao Tse-tung's regime has made astute use of internal political tensions in Tibet to eliminate unfriendly officials. On the topmost level the Dalai Lama remains the nominal head of the government in spite of his open opposition to the Chinese prior to their occupation of Tibet. Peiping's propaganda, however, has emphasized the role of the Panchen Lama, chief contender for the Dalai Lama's authority, who allied himself with the Chinese Communists in 1949. Both lamas are now in Peiping, where they were brought in August 1954 as delegates to the first session of Communist China's National People's Congress.

The Chinese army's monopoly of Tibet's scant transportation and communications facilities enables it to dominate trade, banking, and finance in the region and further consolidate Chinese control.

Airfield and Road Construction

There are no known airfields in Tibet. There have been numerous reports since 1951 of Chinese airfield construction at Lhasa, Lake Manasarowar, Gartok and other points, but these have not been confirmed.

The Chinese are currently engaged in an ambitious road-building program, in which Soviet technicians are assisting, to link Tibet with China proper. The official New China News Agency has announced the completion of a road through Sikang Province to Lhasa. A broadcast on 16 November stated that a truck convoy had arrived at the town of Heiho, 190 miles north of Lhasa, by way of a new highway through Tsinghai Province. This road was described on 27 November as having reached a point 50 miles from Lhasa. The roads are each about 1,300 miles long and traverse extremely mountainous

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terrain. Their primary purpose is probably to facilitate supply of Chinese Communist military forces in Tibet, but they will also contribute greatly to the economic development of the area.

In addition to these roads leading into Tibet, reports from India indicate that the Chinese also have plans for a highway from Lhasa to Gartok in western Tibet and another from Gyantse to Yatung which would provide a motor route from Lhasa to the Indian border.

Development of this road system will enable the Chinese Communists to maintain larger garrisons and will facilitate the penetration of border areas to the south and west. Communist China's threat to the northern borders of India will thus be increased.

Future Chinese Plans

A further increase in the number of Chinese and in their influence in Tibet is expected after the new roads are opened to traffic. Radio Peiping has claimed that the Chinese development program in Tibet will make it possible for the country to support a population of more than 10,000,000. A recently released official Chinese estimate placed the present population at just under 1,300,000.

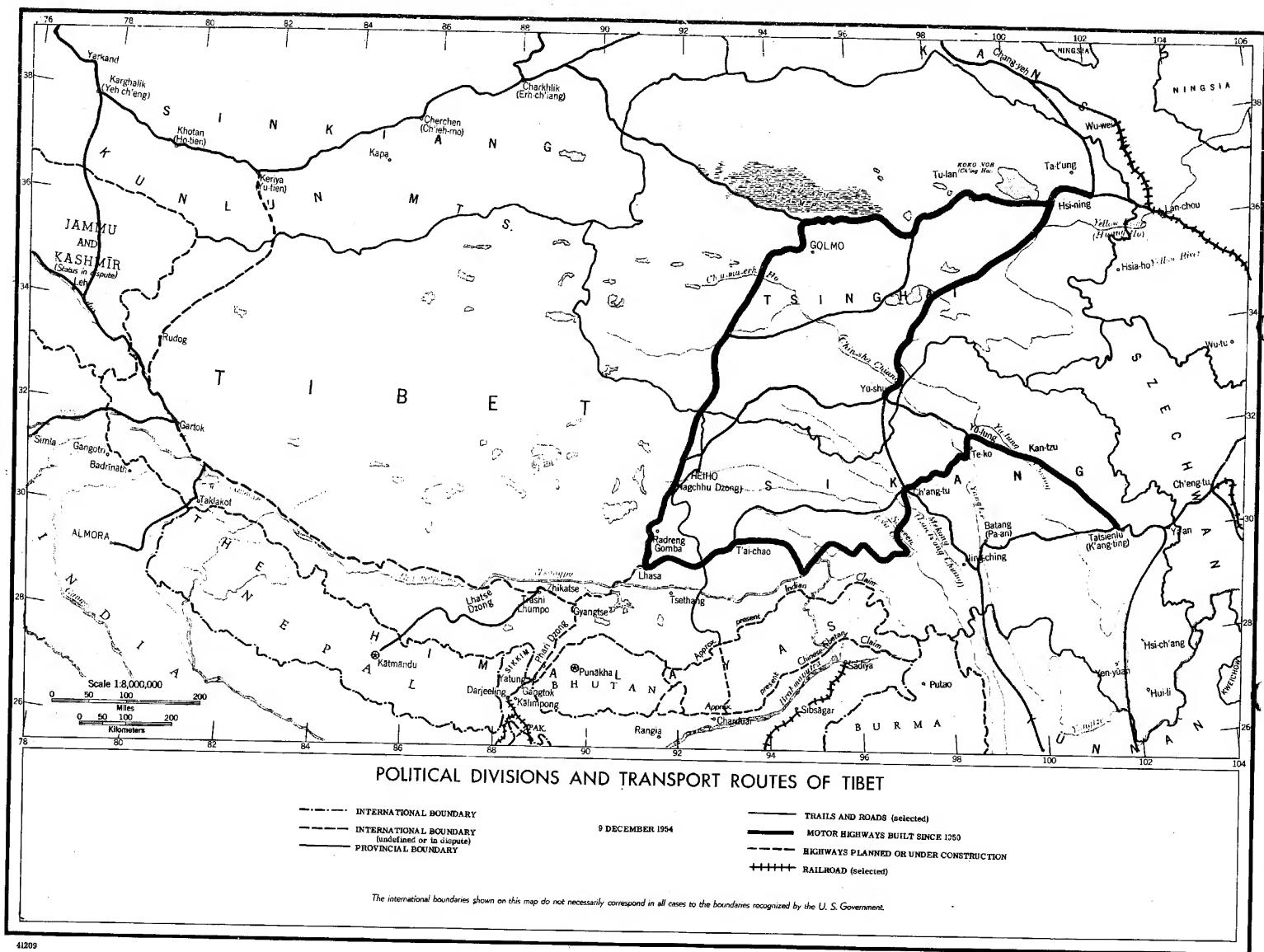
According to Peiping's propaganda, the economic development of Tibet will include the bringing under cultivation of vast areas of virgin land, the construction of hydroelectric plants on Tibetan rivers, and the development of mineral resources. Among these resources are borax, one of Tibet's few exports, and possibly gold.

Low agricultural yields due to Tibet's high altitudes, and the high cost of transport between Tibet and China proper, will make economic development expensive. Peiping has committed itself to an ambitious program, however, and may be expected to attempt to carry it out.

In spite of the Chinese Communists' protestations that they intend to respect the traditional Tibetan way of life, there have been persistent reports of uprisings against their rule. In some instances, unrest apparently has been due to such unpopular measures as forcing monks to work on construction projects and restricting the supply of food to monasteries. With the Chinese Communists in firm control of military forces and communication, transportation, and propaganda facilities, however, it seems clear that the Tibetans can offer no effective resistance to Communist rule.

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**MOTIVATIONS OF SOVIET ECONOMIC POLICY
TOWARD THE NON-COMMUNIST WORLD***

Soviet economic policy toward the "capitalist" states has traditionally been motivated by a hybrid mixture of economic and political considerations. By and large, however, one paramount fact has dominated the foreign economic policy of the USSR--the need to import to make good deficiencies in the bloc economies. At the same time, Soviet policymakers have been alert to exploit the political opportunities presented by their own foreign trade programs. They have shied away, however, from using economic measures for political purposes when the economic costs have been too high. As the Soviet economy continues to grow, the USSR will become more capable of and probably more disposed toward indulging in this practice when high political rewards can be gained with little strain on the Soviet economy. The Soviet policymakers may consider that this situation prevails in the underdeveloped economies of non-Communist Asia and the Middle East.

To date, Soviet foreign economic policy, despite the conciliatory gestures of the post-Stalin regime, has been dominated by the USSR's internal economic needs. This is clearly reflected in the modifications of the Soviet trade pattern in the past year and a half. Heavily committed to giving the domestic consumer a better break, the government has diverted a significant share of its most marketable agricultural exports to the domestic market and has imported a heavier volume of consumers' goods from the non-Communist world. As a result, the USSR has been obliged to increase its exports of semistrategic goods--manganese, chrome, petroleum.

These developments have resulted from revisions decided upon by the Soviet government in the scale of priorities for the internal Soviet economy. It is unlikely that the prospects of international political gains carried decisive weight in the Soviet councils which decided on revision of the foreign trade program.

The USSR's attempts to make political capital out of this situation have taken several forms. The most significant is the propaganda claim that the new Soviet interest in Western consumers' goods demonstrates the peace-loving intent of the USSR and the sincerity of the Soviet claim that unrestricted East-West trade would ease international tensions.

*Concurred in by the Office of Research and Reports.

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This theme, supplemented by the bait offered to West European businessmen in the form of large Soviet orders, has served to stimulate appreciable political pressures within Western Europe for relaxing COCOM regulations. In turning economic measures to political effect in this fashion, however, the USSR is promoting an important economic interest of its own--removal of the remaining political barriers to Soviet purchase of goods required for the USSR's internal economy.

While the general outlines of the Soviet foreign trade program are established by internal bloc economic considerations, there is still some latitude for political opportunism in individual commercial transactions. The USSR can afford, for example, to express its political pique at Australia over the Petrov case by suspending wool procurement when wool is plentiful elsewhere in world markets. Similarly, the USSR can protest the Danish refusal to supply tankers by walking out on trade agreement negotiations, when it is prepared to continue some purchases from Denmark without a formal trade agreement. Nor would Soviet traders be reluctant to stir up a political disturbance by bidding for American-owned surplus stocks when they are seriously in the market for imported butter.

The mixture of politics with commerce in cases such as these has one significant feature: the USSR suffers no economic disadvantage. When economic costs are of some magnitude, as would be the case if a program of "benevolent buying" from favored firms or from depressed industries in the West were called for, the USSR would not be likely to accept severe economic losses for potential political gains.

In the coming years the growth of the industrial sector of the Soviet economy may well accommodate a limited program of politically motivated foreign economic maneuvers. In its present stage of development, the Soviet economy can spare moderate quantities of industrial goods for export with much less strain than it can provide its traditional agricultural exports to the West. Aware that the underdeveloped areas of non-Communist Asia and the Middle East and Latin America provide a fertile ground for political penetration, the USSR may be prepared to accept the limited drain on its economic resources which a modest program of assistance to these countries would entail.

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The over-all magnitude of such a program would probably not be great. But the two conditions necessary for politically inspired Soviet economic moves would be present: the prospects for substantial political gains would be bright and the economic cost to the USSR would be slight.

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ROLE OF COMMUNIST IDEOLOGY IN SOVIET POLICY MAKING

The new Soviet leaders, while displaying a more flexible and imaginative approach to problems of foreign and domestic policy, are apparently as orthodox in their ideology as Stalin was. Marxist-Leninist ideology still has an important and in some cases determining influence on the actions and thinking of the Soviet policymakers.

Ideology receives the same propaganda play it did under Stalin; there has been no reduction in the Marxist-Leninist orientation of Soviet society; and new life has even been infused into the pursuit of some ideological goals, such as the elimination of religious belief. On the other hand, the new regime is making a greater effort to reduce the deleterious effects of ideologically inspired policies. Where ideological goals conflict with major practical considerations, the new regime--like Stalin's--ignores the Marxist-Leninist teachings or explains them away.

Soviet thinkers have never maintained that Marxism-Leninism provides specific solutions for concrete situations, but have said rather that it furnishes a way of thinking and a guide in assessing the significance of specific developments. While the ideology outlines general goals, the need for the utmost flexibility in the actual attainment of them has always been emphasized.

The current Soviet antireligious campaign shows that Marxist-Leninist doctrine does color the Kremlin's estimate of a situation, however. The campaign's deleterious effects on the regime's program of building popular support can only be justified by the Marxist-Leninist teaching that religion in any form is anathema to a Communist society and must be completely, if gradually, rooted out of men's minds, for religion now presents no serious threat to the regime.

The recent changes in rural administration demonstrate how ideology influences the methods the Kremlin uses to solve its practical problems. The changes are primarily designed to increase agricultural production, but they are oriented to such unpalatable Communist goals as transforming the peasant into a wage-laborer and reducing his attachment to his private plot.

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Marxist-Leninist doctrine also influences policy indirectly by coloring the reports on which policymakers base their decisions.

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There has been some evidence of the direct influence of Marxist-Leninist dogma on the top leaders. In an interview with New York lawyer Marshall MacDuffie, Khrushchev, who is more free with his opinions than other Soviet leaders, stated, apparently seriously, that all the American statements on the aggressiveness of the USSR were made on order from the capitalists to justify a profitable rearmament program. He said that the reason that Democrats as well as Republicans support present American foreign policy is that "behind all these people are the magnates of capital who are interested only in profits."

The heritage of past policies toward ideology limits the regime's freedom of operation. The new leaders inherited a political system, whose official doctrine and justification were based on Marxism-Leninism; a people which had been forced to make terrific sacrifices in the name of that ideology; and a bureaucracy which had been taught to think in those terms and operate under that banner. The allegiance of many of the USSR's foreign supporters springs, at least in part, from their adherence to the teachings of Marx and Lenin. This ideological legacy puts practical limits on the leaders' choice of policies and makes it virtually imperative for them publicly to express and explain their plans in Marxist terms. Some of the difficulties of the "new course" in Hungary, for example, apparently sprang from conflict between "doctrinaires" and "moderates" within the Hungarian party over the slowdown in progress toward Communist goals involved in even this shift in tactics.

There has, in fact, been no discernible reduction in the amount of Soviet propaganda and educational effort devoted to explanations of Marxism-Leninism and its vital role in Soviet life. With the deflation of the Stalin myth, the ideology, in its guise as the inspiration of the party, has been given credit for some policies previously ascribed to Stalin's personal genius, and the new leaders are attempting to revitalize the ideology, so long stultified by the dead hand of Stalinism.

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Marxism-Leninism is still described as the party's "guide to action," an "all-conquering teaching" which "arms the party with knowledge of the laws of social development and gives the party and people invincible strength and ability to blaze new trails in history." Soviet citizens, especially party members, are urged to study it carefully. Its importance as a bond which unites all Communists and provides an infallible guide to sound policies has been especially emphasized by the propaganda issued in times of strain or crisis, such as Beria's purge and Stalin's death.

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